

Housing demand to push up rents: report

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Strong demand for housing amid a growing population and record low levels of property construction will help to tighten rental markets considerably, pushing rents higher in 2010 and beyond, a report says.

BIS Shrapnel's latest Residential Property Prospects report found rents are expected to rise by an average of 5.8 per cent a year over the next three years.

This compares with a 5.7 per cent increase in 2009 and an average annual rate of 4.4 per cent between 2002 and 2008.

If realised, the anticipated rental increases would result in landlords pocketing an extra \$1.9 billion in rents between 2010 and 2012.

BIS Shrapnel senior economist Jason Anderson said the supply of housing had "plunged" while demand remained very strong.

"With the very low rate of medium and high-density dwelling construction in 2009, it is inevitable that rental markets will tighten considerably in 2010, and remain very tight in 2011," Mr Anderson said in a statement.

The report said there would be about 30,700 new medium-density and high-density housing starts in 2009, the lowest level since 1991 and a decline of about 30 per cent from a year ago.

Sydney was expected to experience the highest average annual increase in rents at 7.1 per cent from 2010 to 2012.

Melbourne (5.6 per cent) and Brisbane (5.0 per cent) were also forecast to be above the 4.4 per cent average annual increase experienced between 2002 and 2008.

Rent increases in Adelaide (3.4 per cent) and Perth (3.2 per cent), where housing construction had kept pace with underlying demand, were tipped to be below the national average.

Mr Anderson said the high number of first home buyers was also adding to the pressure on rental markets.

"Many qualifying first home buyers were young adults living at home, accumulating the savings which are now required for home loans," Mr Anderson said.

"A first home buyer moving out of the family home and purchasing a former investment property will have actually reduced the available rental stock."

The report said the housing component of the consumer price index (CPI) had risen 56 per cent since the start of the millennium, well above the 36 per cent rise in the overall CPI and higher than the 55 per cent increase in alcohol and tobacco products.

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